

VZCZCXR00653
PP RUEHIK
DE RUEHRK #0219/01 3421656
ZNR UUUUU ZZH
P 081656Z DEC 09
FM AMEMBASSY REYKJAVIK
TO RUEHC/SECSTATE WASHDC PRIORITY 4236
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

UNCLAS SECTION 01 OF 02 REYKJAVIK 000219

SENSITIVE

NSC FOR HOVENIER
TREASURY FOR NORTON

SIPDIS
E.O. 12958: N/A
TAGS: [PGOV](#) [PREL](#) [ECON](#) [EFIN](#) [IC](#)
SUBJECT: ICESAVE BILL LINGERS AS DIVISIVE FORCE IN GOVERNMENT AND SOCIETY

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¶1. (U) Summary. The coalition government recently reached a negotiated settlement with the opposition that allows the Icesave bill to move to the next stage of the parliamentary process. The settlement was reached only after the opposition used filibustering techniques to stall the bill in the second reading for more than one month because they did not have the necessary votes to defeat the measure. The compromise, which will send the bill back to the budget committee on December 8 for further discussion on 16 key points, allows parliament to move forward and focus on other pressing matters such as the budget bill and proposed tax hikes. It does not, however, resolve the Icesave issue which continues to linger and generate animosity in Iceland. Expectations are that the bill will not pass before year end. End summary.

Parliamentary Discussions Turn Ugly

¶2. (U) The coalition government reached a settlement with the opposition on December 4 that moves the Icesave bill out of second reading and back to the budget committee for further discussion on 16 key points. This ends more than one month of stalling by the opposition and is, technically, progress as it moves the bill closer to an eventual vote. A parliamentary vote, however, is not imminent and discussions during second reading were so contentious that they opened wounds unlikely to heal quickly. There were several tense exchanges between members of parliament that clearly exceeded the standard level of parliamentary decorum.

¶3. (SBU) One notable exchange occurred when Birgitta Jonsdottir, an MP in The Movement, scolded the president of the parliament by yelling out "you are not my president" during the course of discussion. The comment came after the president of the parliament, Asta Ragnheiður Johannesson, tried to regain order and ensure that parliamentary procedures were followed while Jonsdottir was speaking. Such egregious behavior was not limited to the discussions among parliamentarians. One member of parliament confided to Emboff that she regularly receives hate mail regarding the Icesave issue, including one email that she considered to be a thinly veiled death threat if she voted in favor of the bill.

The Coalition's Perspective

¶4. (SBU) In private discussions with Emboffs, several members of the coalition expressed frustration with the government's inability to resolve the Icesave issue. The government has the necessary votes to pass the bill and some members of the coalition would like to see their side force a vote and put an end to the matter. Leadership within the coalition, however, is wary of forcing the issue because it does not want to incur the wrath of the public. If the coalition moves too quickly, before all options are exhausted, it may be viewed by the public as pandering to foreign entities and sacrificing the future of Iceland. Some members of the coalition

also believe that it is important to let the dialogue run its course so that the opposition can maintain its dignity and to keep open the possibility of future political cooperation. They believe that the opposition's assistance may be necessary when parliament tackles other controversial matters that notably include the budget bill and proposed tax hikes.

The Opposition's Perspective

¶ 15. (SBU) The opposition, for its part, would like the Icesave agreement to fail and for the issue to be decided in a court of law.

It is, however, vague regarding the mechanics of exactly how this could occur. Without a clear alternative to offer, the opposition seems content to let the issue linger as public resentment builds. This strategy may be paying dividends as a November 30 Gallup poll shows that the Independence Party is now the most popular party in the country with 32 percent of the nation's support. The coalition partners, the Social Democrats and Left Greens, are second and third in the poll with 26 and 23 percent, respectively, of the nation's support. Local elections next spring will give a better picture of how much national support each party actually enjoys. One observer told Emboffs that, if matters continue along their current course, the Independence Party could do quite well in those elections.

¶ 16. (U) The opposition points to an anti-Icesave petition that has garnered over 30,000 signatures in less than one week as proof that they have the public's support. The petition calls on the President to refuse to sign the Icesave bill should it eventually pass parliament. Were the president to refuse to sign the bill the issue would be put before the people in a national referendum. (Note: In 2004, President Grimsson refused to sign a contested bill on the mass media. The bill did not go to a national referendum, however, as parliament withdrew the bill before that could happen. This is the only time an Icelandic President has refused to sign a bill into law. End Note.) Although it is unlikely the president would

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actually take this drastic step, the opposition would like to delay passage of the bill to allow as many people as possible to sign this petition.

Comment

¶ 17. (SBU) The Icesave bill is still moving forward and will likely pass eventually, as the coalition believes it has a majority of votes. The bill's progression through the second stage of the parliamentary process, however, has not gone as smoothly as anticipated. The process has exacerbated tensions between the governing coalition and the opposition that will likely hinder cooperation on future legislative issues, notably the budget bill and potential tax hikes. The issue has also revealed fissures within the ranks of the coalition. While the coalition is expected to remain in power for the foreseeable future, in seeking to reach consensus with the opposition rather than pushing the matter through Parliament, the coalition may very well have eroded its effectiveness. Iceland, itself, will likely also remain incapable of moving forward so long as the Icesave matter lingers as a divisive force in society.

WATSON